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ARIZONA CORPORATION COMMISSION



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SECURITIES DIVISION
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MEMORANDUM

TO: Kathy Stone
Docket Control

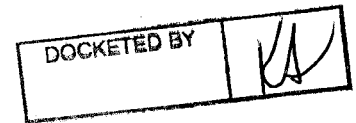
FROM: Cheryl T. Farson, General Counsel
Securities Division

DATE: June 3, 2005

RE: Closing docket number RS-00000A-04-0649
A.A.C. R14-4-116

Arizona Corporation Commission
DOCKETED

JUN - 6 2005



Attached is a copy of the published Notice of Final Rulemaking for A.A.C. R14-4-114, docket number RS-00000A-04-0649. This document should be included in the docket, but does not need to be distributed. This rulemaking is now concluded and the docket may be closed.

Thank you for your assistance with this matter. If you have any questions or need additional information, please feel free to contact me at 542-0193.

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Notices of Final Rulemaking

4. Newly discovered material evidence which could not with reasonable diligence have been discovered and produced at the original hearing;
 5. Excessive or insufficient sanction;
 6. Error in the admission or rejection of evidence or other errors of law at the administrative hearing or during the progress of the proceedings or;
 7. Unjustified decision based upon the evidence, or a decision that is contrary to law.
- E. The Board may affirm or modify the decision or grant a rehearing to any Party party on all or part of the issues for any of the reasons set forth in subsection (D). An order modifying a decision or granting a rehearing shall specify with particularity the grounds for the order. The rehearing, if granted, shall be limited to matters specified by the Board.
- F. Not later than 30 days after a decision is rendered, the Board may order a rehearing or review on its own initiative, for any reason which it might have granted relief on motion of a Party- party.
- G. When a motion for rehearing or review is based upon affidavits, they shall be served with the motion. An opposing Party party may submit opposing affidavits with the response. Reply affidavits may be permitted.

R4-46-306. Renumbered Complaint Information Availability

- A. Every six months, the Board shall generate a report for publication on the Board's web site or in a newsletter that indicates for that period the number of:
1. Complaints received.
 2. Complaints dismissed.
 3. Complaints referred for investigation, and
 4. Complaints referred for informal or formal hearing.
- B. In preparing the report, the Board shall include the severity level of violations found; the suggested complaint resolution according to the Board Complaint Resolution Chart (a copy is available at the Board office); the actual complaint resolution implemented by the Board; and any other information that the Board deems useful to appraisers, property tax agents, and the public.

NOTICE OF FINAL RULEMAKING

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION**

CHAPTER 4. CORPORATION COMMISSION – SECURITIES

[R05-179]

PREAMBLE

- | | |
|---|--|
| 1. <u>Sections Affected</u>
R14-4-116 | <u>Rulemaking Action</u>
Amend |
|---|--|
- 2. The specific authority for the rulemaking, including both the authorizing statute (general) and the implementing statute (specific):**
Authorizing statute: A.R.S. § 44-1821
Implementing statute: A.R.S. § 44-1891
Constitutional authority: Arizona Constitution, Article XI §§ 4 and 13
- 3. The effective date of the rule:**
July 4, 2005
- 4. A list of all previous notices appearing in the Register addressing the final rule:**
Notice of Rulemaking Docket Opening: 10 A.A.R. 4122, October 8, 2004
Notice of Proposed Rulemaking: 10 A.A.R. 4738, November 26, 2004
- 5. The name and address of agency personnel with whom persons may communicate regarding the rulemaking:**
- | | |
|------------|--|
| Name: | Cheryl T. Farson, General Counsel |
| Address: | Arizona Corporation Commission, Securities Division
1300 W. Washington, Third Floor
Phoenix, AZ 85007-2996 |
| Telephone: | (602) 542-4242 |
| Fax: | (602) 594-7470 |
| E-mail: | cf@ccsd.cc.state.az.us |

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6. An explanation of the rule, including the agency's reasons for initiating the rulemaking:

A.A.C. R14-4-116 identifies the North American Securities Administrators Association ("NASAA") Statements of Policy used by the Arizona Corporation Commission (the "Commission") as its standard of review for applications for registration of specified types of securities transactions. In connection with church extension funds, A.A.C. R14-4-116 previously incorporated and the Commission applied the guidelines for general obligation financing by religious denominations, adopted by NASAA in April 1994. NASAA amended the guidelines and renamed them the Statement of Policy Regarding Church Extension Fund Securities. The Commission amended A.A.C. R14-4-116 to reflect the revised name and to incorporate the amended Statement of Policy.

Generally, the NASAA amendment increases investor protection, addresses developing industry practices, and modernizes the 1994 guidelines. The new statement of policy imposes enhanced financial standards, increases requirements for disclosure of information relevant to the industry, including identification of risks specific to the industry that must be disclosed, and modernizes accounting terminology and standards for nonprofit entities.

Prior to proposing the amendment to the NASAA guidelines, a NASAA project group solicited comments from all of the state securities regulatory agencies and the industry trade association, the Denominational Investment and Loan Association. NASAA adopted the project group's recommended amendment April 18, 2004.

The Commission amended A.A.C. R14-4-116 to incorporate the NASAA amended Statement of Policy to enhance investor protection, to reflect current industry practices, and to enhance uniformity among the states with respect to the standard of review applied to applications for registration of debt securities issued by a church extension fund.

7. A reference to any study relevant to the rule that the agency reviewed and either relied on or did not rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

None.

8. A showing of good cause why the rule is necessary to promote a statewide interest if the rule will diminish a previous grant of authority of a political subdivision of this state:

Not applicable.

9. A summary of the economic, small business, and consumer impact:

The economic, small business, and consumer impact statement for A.A.C. R14-4-116 analyzes the costs, savings, and benefits that accrue to the Commission, the regulated public, and the general public. The amendment to A.A.C. R14-4-116 has minimal impact on established Commission procedures, Commission staff time, and other administrative costs. The benefits provided by the amendment to A.A.C. R14-4-116 are not quantifiable. The amendment of A.A.C. R14-4-116 should benefit the Commission by improving the efficiency of the review process for applications for registration by church extension funds. The amendment should improve the Commission's relations with the regulated public because of clarification and specificity of standards for registration and increased uniformity with other state registration standards. The public should benefit from the continuation and enhancement of standards on debt offerings by church extension funds. The Commission anticipates that the rulemaking will not significantly increase monitoring, recordkeeping, or reporting burdens on businesses or persons. The Commission does not anticipate that the rulemaking will significantly impact costs of implementation or enforcement.

10. A description of the changes between the proposed rule, including supplemental notices, and the final rule:

The amendment to A.A.C. R14-4-116 has been revised since the publication of the Notice of Proposed Rulemaking to delete the phrase "and the Office of the Secretary of State" from the first sentence of subsection (B). The revision is in response to comments from the Office of the Secretary of State. The variance between the rule as made and the rule as published in the Notice of Proposed Rulemaking is not substantially different.

11. A summary of the comments made regarding the rule and the agency response to them:

The Commission did not receive written comments to the rule following publication of the Notice of Proposed Rulemaking.

12. Any other matters prescribed by statute that are applicable to the specific agency or to any specific rule or class of rules:

None

13. Any material incorporated by reference and its location in the text:

The following NASAA materials are incorporated by reference in A.A.C. R14-4-116(A):

1. Statement of policy regarding loans and other material affiliated transactions, amended November 18, 1997.
2. Registration of asset-backed securities, adopted October 25, 1995.
3. NASAA mortgage program guidelines, adopted September 10, 1996.
4. Registration of commodity pool programs, adopted September 21, 1983, effective January 1, 1984; amended and adopted August 30, 1990.
5. Equipment programs, adopted November 20, 1986, effective January 1, 1987, amended April 22, 1988, and October 24, 1991.
6. Registration of oil and gas programs, adopted September 22, 1976, amended October 12, 1977, October 31,

Notices of Final Rulemaking

- 1979, April 23, 1983, July 1, 1984, September 3, 1987, September 14, 1989, and October 24, 1991.
7. Statement of policy regarding real estate investment trusts, revised and adopted September 29, 1993.
 8. Real estate programs, last revised September 29, 1993.
 9. Statement of policy regarding unequal voting rights, adopted and effective October 24, 1991.
 10. Omnibus Guidelines, adopted March 29, 1992.
 11. Statement of policy regarding church extension fund securities, adopted April 17, 1994, entitled guidelines for general obligation financing by religious denominations, amended April 18, 2004.
 12. Statement of policy regarding church bonds, adopted April 14, 2002.
- 14. Whether the rule was previously made as an emergency rule and, if so, whether the text was changed between the making as an emergency and the making of the final rule:**
- Not applicable
- 15. The full text of the rule follows:**

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION**

CHAPTER 4. CORPORATION COMMISSION – SECURITIES

ARTICLE 1. IN GENERAL RELATING TO THE ARIZONA SECURITIES ACT

Section

R14-4-116. NASAA Statements of Policy

ARTICLE 1. IN GENERAL RELATING TO THE ARIZONA SECURITIES ACT

R14-4-116. NASAA Statements of Policy

- A.** Unless otherwise provided in A.R.S. Title 44, Chapter 12, Article 7, transactions that fall within one or more of the following North American Securities Administrators Association (NASAA) statements of policy shall comply with the requirements of those statements of policy to qualify for registration or renewal under A.R.S. Title 44, Chapter 12, Article 7. This Section shall not apply to the registration of securities under A.R.S. § 44-1901.
1. Statement of policy regarding loans and other material affiliated transactions, amended November 18, 1997.
 2. Registration of asset-backed securities, adopted October 25, 1995.
 3. NASAA mortgage program guidelines, adopted September 10, 1996.
 4. Registration of commodity pool programs, adopted on September 21, 1983, effective January 1, 1984; amended and adopted August 30, 1990.
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 6. Registration of oil and gas programs, adopted on September 22, 1976; amended October 12, 1977, October 31, 1979, April 23, 1983, July 1, 1984, September 3, 1987, September 14, 1989, and October 24, 1991.
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 8. Real estate programs, last revised September 29, 1993.
 9. Statement of policy regarding unequal voting rights, adopted and effective October 24, 1991.
 10. Omnibus Guidelines, adopted on March 29, 1992.
 11. Guidelines for general obligation financing by religious denominations; Statement of policy regarding church extension fund securities, adopted April 17, 1994, entitled guidelines for general obligation financing by religious denominations; amended April 18, 2004.
 12. Statement of policy regarding church bonds, adopted April 14, 2002.
- B.** ~~The statements of policy material~~ listed in subsection (A) ~~are~~ is incorporated by reference and on file with the Commission. ~~The incorporated statements of policy do~~ material does not contain later editions or amendments. ~~The statements of policy are~~ material is published in *NASAA Reports* by Commerce Clearing House, Inc., 4025 West Peterson Avenue, Chicago, Illinois 60646. Copies are ~~also~~ available from NASAA, 10 G Street, N.E., Suite 710, Washington D.C. 20002, ~~and at the Office of the Secretary of State and the Commission.~~